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TO RUEHC/SECSTATE WASHDC 9496  
INFO RUCPDO/DEPT OF COMMERCE WASHDC  
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UNCLAS AIT TAIPEI 001152

SIPDIS

SENSITIVE BUT UNCLASSIFIED  
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DEPT PASS TO USTR  
DEPT FOR EAP/TC

USDOC FOR 4430/ITA/MAC/JDUTTON  
USDOC PASS TO ADVOCACY CENTER

E.O. 12958: N/A

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SUBJECT: Boeing-CAL Sale Awaits Presidential Office Signal

11. (SBU) Summary: Boeing continues to discuss the sale of ten 747-8 aircraft with China Airlines (CAL). CAL recently suggested that Boeing should get the State Department or National Security Council to express support for the sale. Boeing representatives explained to CAL that nine U.S. Senators had already expressed support and further action from the U.S. executive branch would not be helpful at this time. Boeing believes that the next move should be CAL's. Boeing is puzzled by the need for further government approval at this stage, but will not seek U.S. executive branch action. It has asked for further support from the staff of Senators who wrote to President Chen about the sale and may seek additional action from Senator Rockefeller. End summary.

12. (SBU) Boeing Commercial Airplane Group Chief Taiwan Representative Paul Fang and Sales Director Scott Grimsby briefed AIT/T March 30 on the status of their proposal to sell China Airlines (CAL) ten 747-8 planes, consisting of four freight and six passenger aircraft. CAL's Board of Directors voted in early March to approve "conditional acceptance." Boeing believed that this would move them into contract negotiation, followed by another vote by the Board of Directors to approve the contract and then final approval by the government. However, CAL told Boeing that it would need approval from Taiwan's Presidential Office before it would be able to proceed with contract negotiation. CAL asked Boeing to arrange for some kind of expression of support from the U.S. government to be delivered to the Presidential Office.

13. (SBU) Boeing arranged for nine Senators, led by Senator Brownback, to send a letter to President Chen Shui-bian in support of the deal. AIT followed up by telephone, asking the Presidential Office on behalf of Senator Brownback's office what the status of the letter was. Subsequently, U.S.-Taiwan Business Council Chairman William Brock sent a letter in support of the Boeing sale to Chen. However, on March 28, CAL suggested that Boeing arrange for the U.S. State Department or National Security Council to send a message of support as well.

14. (SBU) Fang and Grimsby met with CAL Senior Vice President of Marketing Brian Chou and Vice President of Corporate and Marketing Planning Steve Yang on March 29. At the meeting, Fang told Chou and Yang that Boeing believed that it had done everything that CAL had asked. He underscored the significance of a letter from nine U.S. Senators and explained why Boeing was reluctant to involve officials from the U.S. executive branch at this point. Fang said that by the end of their meeting with Chou and Yang, the CAL executives seemed to have accepted Boeing's message that the next move should be CAL's. Later Fang told AIT/T by phone, that CAL had arranged a

meeting with staff at the Presidential Office to discuss next steps.

Boeing had given CAL a deadline of March 31 to complete contract negotiations and will now consider adjustments to this timeframe.

15. (SBU) Fang and Grimsby were both puzzled by the process and CAL's insistence on some kind of approval from the Presidential Office at this stage. They are not sure whether CAL or the Presidential Office is driving the requests for more U.S. government action. However, the Boeing executives were clear that they do not believe further action by the U.S. executive branch in Washington would be effective or appropriate at this time. Fang said that Boeing has asked the senior staff of the nine Senators who wrote to Chen to contact TECRO in Washington to follow up on the letter. Boeing is also considering asking Senator Rockefeller to intervene personally by calling the Presidential Office in Taipei. Fang said that it might be useful for AIT to show its interest in the situation at some point in the future.